# HOUSING MARKET OUTLOOK
## Trois-Rivières CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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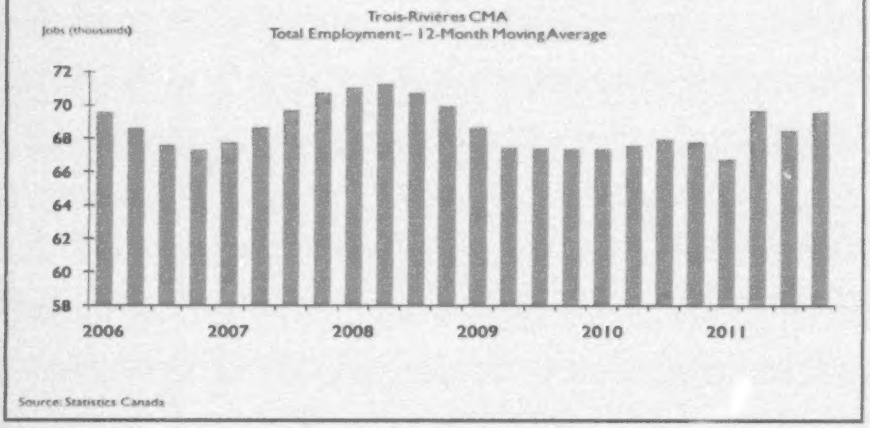
## A less favourable economic environment[1]

After three consecutive years of decrease, employment grew in 2011, but uncertainty persists on the job market in the Trois-Rivières census metropolitan area (CMA), as reflected by the declines registered since last fall in the area. The regional economy has been picking up again slowly and tediously since 2008, with the jobs lost during the recession not yet fully recovered. As in recent years, the strength of the Canadian dollar against the U.S. dollar continued to have a negative effect on manufacturing companies, by undermining their competitiveness and limiting exports to their largest trading partner. Less-than-full order books have in fact forced a few pulp and paper

Figure 1

### Slow Recovery for the Job Market




Source: Statistics Canada

[1] The forecasts provided in this document are based on the information available on April 27, 2012

### Table of Contents

1 A less favourable economic environment
2 Demographics: slightly less favourable
2 Mortgage Rates
2 Resale market to slow down
3 Housing starts: condominiums to stand out
3 Rental market to remain stable
5 Forecast Summary

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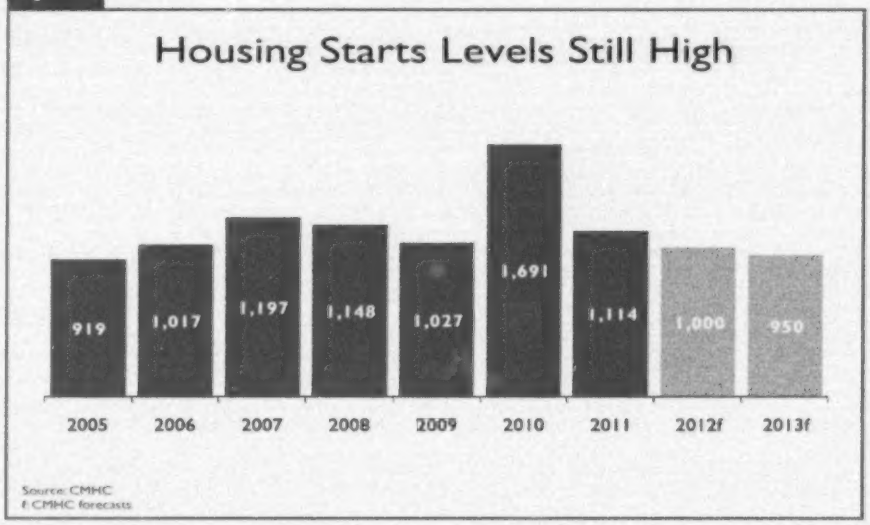
companies to lay off some workers or even temporarily close their doors. However, residential construction has stayed very strong in the area. Housing starts, which have been numerous for several years now, will again reach historically high levels in 2012 and 2013. This vigorous activity will continue to support the economy and the labour market in the area. As well, the uncertainty surrounding the planned investment by Hydro-Québec (to maintain a nuclear generating station) still remains, and a definite move forward on this project would strongly stimulate the job market, by giving a major boost to the Trois-Rivières economy.

Figure 2




Consequently, employment should grow by 0.5 per cent in both 2012 and 2013, with the level reaching 70,000 jobs this year and 70,300 next year. It will therefore have taken the Trois-Rivières economy over five years to recover the jobs lost since 2008.

## Demographics: slightly less favourable

In line with recent years, the demographic factors will be slightly less favourable to the housing market in 2012 and 2013.

As for migration, a slight decrease is anticipated, as a result of a reduction in the targets set by the Quebec government for the number of immigrants admitted for 2012 and 2013. In fact, despite the sluggish job market, the Trois-Rivières CMA had managed to attract a good number of migrants in recent years, by benefiting from the rise in these targets. Even though migration is expected to fall slightly in 2012 and 2013, the levels will remain relatively high, which will help support the overall housing market and, more particularly, the rental market. With the lowest average prices (selling prices and rents) in the country, the Trois-Rivières area remains attractive for many people.

An indicator of long-term housing demand, total household formation will continue to slow down (600 and 500 new households will form in 2012 and 2013, respectively). And senior households (65 years or older) will stand out, as their numbers will be on the rise, while younger households (25 to 34 years) will register a decline, reflecting the growing impact of the inevitable aging of the population. This trend, which will intensify over the coming years, will shape housing demand in the area.

## Mortgage Rates

CMHC uses publically available information and the consensus among major Canadian forecasters as a basis for its interest rate forecast. Although there is significant uncertainty, consensus forecasts suggest that interest rates are not expected to rise until at least later in 2012, but will remain low by historical standards, thus supporting the Canadian housing market.

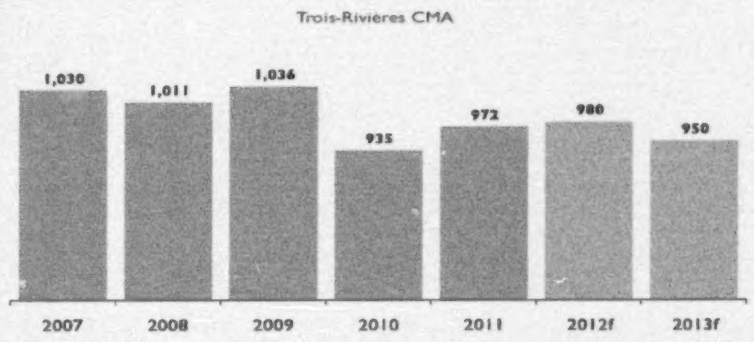
According to CMHC's base case scenario, posted mortgage rates will increase near the end of 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.1 to 3.6 per cent range, while the five-year posted mortgage rate is forecast to be within 5.0 to 5.4 per cent. For 2013, the one-year posted mortgage rate is expected to rise with interest rates and be in the 3.5 to 4.1 per cent range, while the five-year posted mortgage rate is forecast to be within 5.1 to 5.6 per cent.

## Resale market to slow down

The year 2011, which ended on a good note for MLS® sales, with transactions up by 4 per cent, will give way to less vigorous activity in 2012 and 2013. In fact, the sluggish job market, combined with the slower growth in the number of young households, will curb activity on the resale market. On the other hand, the financing conditions, which will remain favourable for buyers, and especially the increase in listings, will partly offset the slowdown. In

Figure 3

## Home Sales to Remain Stable in 2012 Before Declining Slightly in 2013




Source: QFREB by Centris®
f: CMHC forecasts

fact, MLS® property listings—which rose considerably over the last few quarters in the CMA—will allow more buyers to find homes that suit their tastes and needs. As well, the difference in average price between existing and new homes continues to favour the resale market. Consequently, after a year marked by a 4-per-cent increase in transactions, the CMA should record total sales of 980 units in 2012 (+1 per cent) and 950 units in 2013 (-3 per cent).

As for the growth in prices, the slowdown that began in 2011 will continue in 2012 and 2013. As a result of the surge in the inventory, the market eased in 2011, with the seller-to-buyer ratio having risen above 8 to 1[2]. Since this increase in listings will continue until 2013, the market will ease further. The relationship between sellers and buyers, which had been favouring the former for the past several years, will progressively move towards balanced conditions. This will reduce the upward pressure on prices, which will rise by 3 per cent in 2012 and then by 2 per cent in 2013. The average price of residential properties will therefore reach $161,500 this year and then $165,000 next year.

## Housing starts: condominiums to stand out

In 2011, residential construction was once again vigorous in the de Trois-Rivières area. The level of housing starts, which was over 1,000 units for the sixth year in a row, was again buoyed up by the strength of the multiple-unit housing segment. This trend will continue in 2012 and 2013, that is, the anticipated volumes will remain historically high, but a slight slowdown will be felt. In fact, a less active job market, an inventory of properties for sale that is being replenished at a fast pace and, especially, a much less tight rental market than in past years will lead to a small decline in construction in 2012 and 2013. However, the residential construction sector will still be able to count on low mortgage rates, which will limit the decline. In all, 1,000 starts should therefore be enumerated in 2012 (-10 per cent) and then 950, in 2013 (-5 per cent).

Single-detached home starts will register a very small decrease in 2012 (-2 per cent), before stabilizing in 2013. In all, foundations should be laid for 330 houses of this type in each of 2012 and 2013.

As for multi-unit housing, the more marked decline will affect rental dwellings. In fact, given the less tight conditions on the rental market, production will slow down, as 250 starts should be recorded in 2012 (-45 per cent) and then 230, in 2013 (-8 per cent). Like for single-detached home building, the construction of semi-detached and row houses will fall slightly, as 180 starts should be enumerated in 2012 (-2 per cent) and then 175, in 2013 (-3 per cent). Lastly, the vigour that characterized condominium construction in 2011 will be maintained in the area, with 240 and 215 such starts expected to be registered in 2012 and 2013, respectively. Condominiums will stand out significantly in the CMA, with historically high levels anticipated in 2012 and 2013. It should be noted that, from 1990 to 2010, only 20 units were enumerated on average each year in this category.

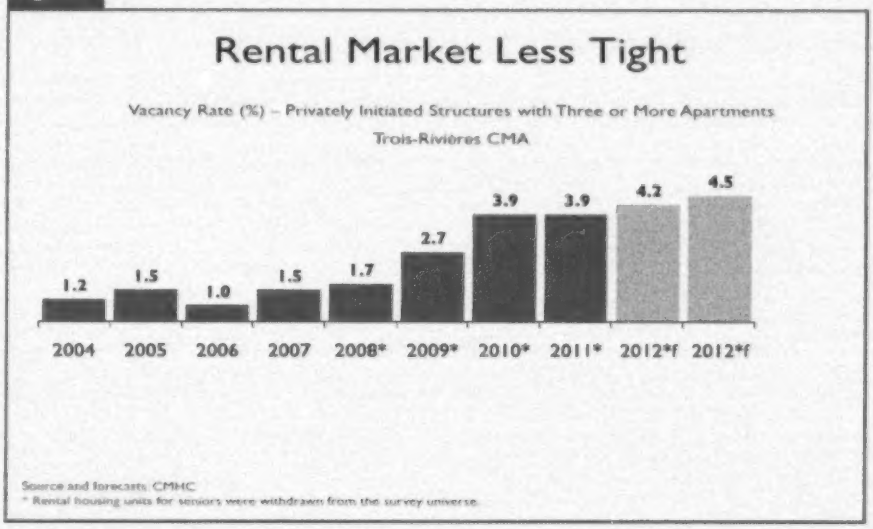
[2] The balanced range for the seller-to-buyer ratio is between 8 and 10 to 1, indicating a market where neither buyers nor sellers are favoured.

## Rental market to remain stable

After a tight period during the 2000s, the rental market, which recently eased, will now remain relatively stable. Very tight conditions, largely resulting from the strong migration (which put considerable pressure on housing demand), had kept the vacancy rate very low. Since 2009, however, while rental housing construction levels have stayed at record levels, demand has fallen slightly, causing the vacancy rate to rise. As a result, the proportion of unoccupied units went from 1.7 per cent up to 3.9 per cent between 2009 and 2011. While the supply of new rental housing units is bound to decrease, a less significant demand will lead this market to stabilize over the next two years. A less vigorous job market will result in a decrease in rental housing demand in the Trois-Rivières area. In response to this decline, supply will adjust, and rental housing production will slow down, such that the market will remain stable. Consequently, the vacancy rate will stay at about 4.0 per cent to 4.5 per cent in 2012 and 2013.

These less tight market conditions will bring about less pronounced rent increases. The average rent for two-bedroom apartments will therefore attain $565 in 2012 and $580 in 2013.

Figure 4



| Forecast Summary<br>Trois-Rivières CMA<br>Spring 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012f | % chg | 2013f | % chg |
| **Resale Market**[1] | | | | | | | |
| MLS® Sales | 1,035 | 933 | 972 | 980 | 0.8 | 950 | -3.1 |
| MLS® Active Listings | 455 | 518 | 658 | 875 | 32.9 | 900 | 2.9 |
| MLS® Average Price ($) | 142,048 | 151,953 | 156,917 | 161,500 | 2.9 | 165,000 | 2.2 |
| **New Home Market** | | | | | | | |
| **Starts:** | | | | | | | |
| Single-Detached | 375 | 345 | 335 | 330 | -1.5 | 330 | 0.0 |
| Multiples | 652 | 1,346 | 779 | 670 | -14.0 | 620 | -7.5 |
| Starts - Total | 1,027 | 1,691 | 1,114 | 1,000 | -10.2 | 950 | -5.0 |
| **Average Price ($):** | | | | | | | |
| Single-Detached | 199,774 | 209,570 | 218,822 | 228,000 | 4.2 | 238,000 | 4.4 |
| **Rental Market**[2] | | | | | | | |
| October Vacancy Rate (%) | 2.7 | 3.9 | 3.9 | 4.2 | .. | 4.5 | .. |
| Two-bedroom Average Rent (October) ($) | 520 | 533 | 547 | 565 | .. | 580 | .. |
| **Economic Overview** | | | | | | | |
| Mortgage Rate (1 year) (%) | 4.02 | 3.49 | 3.52 | 3.37 | - | 3.78 | - |
| Mortgage Rate (5 year) (%) | 5.63 | 5.61 | 5.37 | 5.26 | - | 5.37 | - |
| Annual Employment Level | 67,400 | 66,200 | 69,600 | 69,950 | 0.5 | 70,300 | 0.5 |
| Employment Growth (%) | -3.6 | -1.8 | 5.1 | 0.5 | - | 0.5 | - |
| Unemployment rate (%) | 8.8 | 9.1 | 8.7 | 8.5 | - | 8.3 | - |
| Net Migration | 796 | 984 | 971 | 850 | -12.5 | 850 | 0.0 |

[1] *Source: QFREB by Centris®*

[2] *Privately initiated rental apartment structures of three units and over*

*MLS® is a registered trademark of the Canadian Real Estate Association (CREA)*

*Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Statistics Canada (CANSIM), QFREB by Centris®, CMHC forecasts (2010-2011)*

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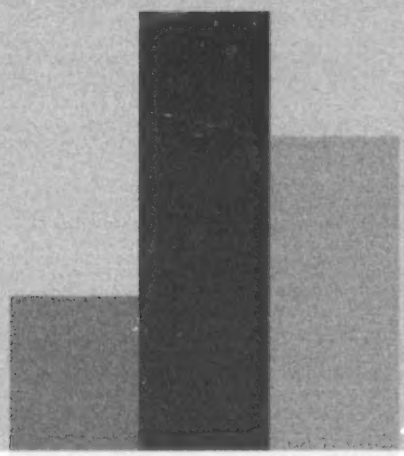

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